

## Table of contents

<b>1</b>	<b>MARKET OVERVIEW AND RECENT DEVELOPMENTS .....</b>	<b>4</b>
1.1	MARKET OVERVIEW .....	4
1.2	OWNERS OF GENERATING CAPACITY FACE MERCHANT RISK.....	5
1.3	RECENT DEVELOPMENTS .....	6
1.3.1	<i>Negative real-time prices system-wide .....</i>	6
1.3.2	<i>Texas legislature met in 2015, with little impact on energy markets .....</i>	7
1.3.3	<i>Resources adequate according to ERCOT, not counting environmental regulations .....</i>	9
1.3.4	<i>PUCT is considering changes to reliability standard .....</i>	9
1.3.5	<i>Environmental regulations challenge coal-fired capacity, according to ERCOT study.....</i>	9
1.3.6	<i>Transmission developments reduce congestion .....</i>	10
<b>2</b>	<b>MODELING ASSUMPTIONS .....</b>	<b>12</b>
2.1	MARKET TOPOLOGY .....	12
2.2	FUEL PRICE PROJECTIONS .....	12
2.2.1	<i>Natural gas price outlook .....</i>	12
2.3	EMISSIONS COSTS .....	14
2.4	COST OF GENERIC NEW ENTRY .....	15
2.5	IMPORT AND EXPORT FLOWS .....	16
2.6	DEMAND AND SUPPLY .....	16
<b>3</b>	<b>10-YEAR PRICE FORECAST .....</b>	<b>21</b>
3.1	PHASE 1 (2016-2019): ELECTRIC ENERGY PRICES TO REFLECT RISING NATURAL GAS PRICES .....	21
3.2	PHASE 2 (2020-2025): CARBON PRICE BOOSTS ENERGY PRICES .....	21
3.3	IMPLIED MARKET HEAT RATE .....	22
<b>4</b>	<b>APPENDIX A: OVERVIEW OF FORECASTING METHODOLOGY .....</b>	<b>23</b>
<b>5</b>	<b>APPENDIX B: INTRODUCTION TO LEI AND ITS WORK IN ERCOT.....</b>	<b>24</b>

## List of figures

FIGURE 1. INSTALLED CAPACITY AND GENERATION BY FUEL TYPE, 2014.....	4
FIGURE 2. INSTALLED CAPACITY AND GENERATION BY OWNER, 2014 .....	5
FIGURE 3. RECENT DEVELOPMENTS IN ERCOT .....	7
FIGURE 4. REGIONAL TRANSMISSION ZONES AND PROJECTED LIMITS*.....	12
FIGURE 5. FOSSIL FUEL PRICE PROJECTIONS.....	13
FIGURE 6. HENRY HUB GAS PRICES (LEI'S CURRENT OUTLOOK VS. OUR 3 <sup>RD</sup> QUARTER 2014 OUTLOOK).....	14
FIGURE 7. EMISSIONS COST PROJECTIONS.....	15
FIGURE 8. ALL-IN COSTS FOR NEW POWER PLANTS IN ERCOT FOR 2016.....	16
FIGURE 9. DEMAND PROJECTIONS BY ZONE .....	17
FIGURE 10. RETIREMENTS (JUNE 2014 THROUGH DECEMBER 2014, AND ANNOUNCED) INCLUDED IN LEI'S OUTLOOK .....	17
FIGURE 11. NEW PROJECTS ON LINE BY 2015 INCLUDED IN LEI'S OUTLOOK .....	18
FIGURE 12. GENERIC NEW ENTRY INCORPORATED INTO LEI'S OUTLOOK .....	19
FIGURE 13. TOTAL WIND GENERATION CAPACITY (NOT DERATED) IN ERCOT .....	19
FIGURE 14. REGION-WIDE DEMAND-SUPPLY BALANCE .....	20

FIGURE 15. SUPPLY CURVE 2020..... 20  
FIGURE 16. FORECAST ENERGY MARKET PRICES, 2016 THROUGH 2025 ..... 21  
FIGURE 17. OUTLOOK FOR COAL PLANT GROSS ENERGY MARKET EARNINGS AND LOAD FACTORS..... 22  
FIGURE 18. FORECAST MARKET HEAT RATES, 2016 THROUGH 2025 ..... 22  
FIGURE 19. POOLMOD’S TWO-STAGE PROCESS..... 23